ASKING THE WORLD TO STOP PAYMENT:

IMPACTS OF THE USA PATRIOT ACT ON THE U.S. OPERATIONS OF FOREIGN, INTERNATIONAL AND DOMESTIC COMMERCIAL BANKS

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FOLLOW THE MONEY

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I. INTRODUCTION

A. THE ACT. Uniting and Strengthening America By Providing Appropriate Tools Required To Intercept and Obstruct Terrorism (H.R. 3162, The USA PATRIOT Act of 2001, the "Act") was signed into law by President Bush on October 26, 2001. Enacted in response to the September 9th terrorist attacks on New York and Washington, the Act enhances law enforcement (particularly with respect to non-U.S. persons and organizations), reforms aspects of immigration law and, as detailed in this memorandum, seeks to deny to terrorists, narcotics traffickers, corrupt foreign government officials, tax evaders and other criminals the use of the U.S. commercial banking system and those portions of the broader U.S. financial services system involving the deposit and transfer of money and other financial resources. The Act goes beyond prior money laundering laws by seeking to monitor and control the deposit and transfer of legally-obtained funds for terrorist or other illegal uses. The Act's focus on "foreign" threats to U.S. homeland security creates new and unique compliance duties for foreign and international financial institutions in the service of their foreign and U.S. clientele from their offices in the United States.

B. STATUTORY FRAMEWORK. Rather than creating a major new statute, the Act for the most part strengthens and expands existing statutes, primarily the Bank Secrecy Act ("BSA"). The Act extends the applicability of these laws while making them more difficult to evade or avoid and reducing the civil and criminal liability exposure of financial institutions which seek in good faith to comply with their anti-money laundering and anti-terrorism reporting and other mandates.

C. IMPLEMENTATION AND REFINEMENT. Given the unprecedented events out of which it arose and the speed of its enactment, the Act is (1) understandably broad, (2) designed to be implemented by federal regulations and other administrative action (some

highly discretionary), and (3) certain to have many unintended effects. The political compromise between enhanced homeland security on the one hand and the presentation of civil liberties, privacy, and business efficiency on the other involved giving the Secretary of the Treasury and other senior U.S. Government officials the ability to identify categories of suspected "bad actors" and suspect transactions for more stringent monitoring action known as "Special Measures." Understanding and adjusting to this large degree of administrative discretion will make compliance easier, cheaper, safer for affected financial institutions and more effective in the U.S. national and international humanitarian interests. As Title III is interpreted and applied by government agencies, private attorneys, bankers and financial institutions, and as its administrative regulations are promulgated over the 12 months ending October 25, 2002, (see the partial time table at Annex A) many practical issues will have to be resolved.

D. TITLE III. Commercial banks and other financial institutions are impacted most directly by Title III of the Act entitled the International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001 ("Title III"). Title III modifies, among others, the following existing federal statutes:

1. The Bank Secrecy Act ("BSA");

2. The Money Laundering Control Act of 1986;

3. The Right to Financial Privacy Act; and

4. The Gramm-Leach-Bliley-Act's privacy provisions (Title V).

Title III, like the rest of the Act, may be revoked in its entirety (but not in part) by a joint reduction of Congress adopted on or after October 25, 2005.

E. WHO IS SUBJECT TO TITLE III? The BSA's definition of "financial institution" includes domestic banks, private bankers, foreign bank branches and agencies in the U.S., thrifts, S.E.C.-registered brokers and dealers, credit card operators, insurance companies, investment bankers, and a variety of other businesses.

By the Act's first anniversary the Treasury, the Securities Exchange Commission ("SEC") and the Federal Reserve ("FRB") must report to Congress on how to apply the BSA to

investment companies (mutual funds) hedge funds and private equity funds.

F. TOPICS ADDRESSED. This memorandum describes Title III's impact on foreign, international and domestic commercial bank financial institutions and other types of financial institutions in the following areas (Section references are to the Act unless otherwise noted, and affected sections of the U.S. Code are referenced where applicable):

Money Laundering

1. Special Measures (§311 Re 31 USC §5318A).

2. Correspondent Accounts for Shell Banks (§313 Re 31 USC §5318).

3. Special Due Diligence for Foreign Correspondent and Private Banking Accounts (§312 Re 31 USC §5318).

4. Cooperative Information Sharing Efforts (§314 Re 31 USC §5311).

5. Criminal Money Laundering (§315 Re 31 USC §1956).

6. Long Arm Jurisdiction and Venue (§§317 and 1004 Re 31 USC §1956).

7. 120 Hour Access to Account Documentation (§319 Re 31 USC §5318).

8. Concentration Accounts (§325 Re 31 USC §5318(h)).

9. Know Your Customer, Including Foreign Nationals (§326 Re 31 USC §5318).

10. Regulatory Application Criteria (§327 Re 12 USC §§1842(c) and 1828(c)).

Suspicious Activities and Currency Transactions Reports

11. Anti-Money Laundering Programs (§352 Re 31 USC §5318(h)).

12. Targeting Orders and Record Keeping (§352 Re 31 USC §5321-26).

13. Written Employment References (§355 Re 12 USC §1828).

14. SAR's By Broker Dealers (§356 Re 31 USC §5318).

15. SAR's By Others (§356 Re 31 USC §5318).

16. Expanded Availability of SAR's and Other BSA Reports (§358 Re 31 USC §5311-19).

17. BSA Compliance By Money Transmitters and Non-Conventional Financial Institutions (§359 Re 31 USC §5312, 12 USC §1829(b)).

18. Enhanced FinCEN Functions and its Highly Secure Network (§§361, 362).

19. Enhanced SAR Protection (§351 Re 31 USC §5318(g)(3)).

20. CTR's By Non-Financial Businesses (§365).

Currency Crimes and Other Matters

21. Unlicensed or Improper Money Transmission (§373 Re 18 USC §1960).

22. Wire Transfers Originating Abroad (§328 Re 31 USC §5311).

23. Foreign Bank Records (§330).

24. High-Tech Currency Counterfeiting (§§374-75 Re).

G. EXTRATERRITORIALITY AND INTERNATIONAL LAW. As noted above, much of Title III seeks to stop the flow of the "financial fuel" for foreign terrorist attacks on United States citizens, residents, property, economy and government. This effort pits one of the most powerful governments in the world (backed by an extraordinary degree of popular support arising from the Twin Tower ashes) against what is believed to be a foreign-inspired international organization existing in as many as 40 nations ranging from European parliamentary democracies such as the United Kingdom and Germany through former Western colonies such as the Philippines and Pakistan to so-called "narcoticracies" such as Columbia to

emerging nations such as Afghanistan and Yemen. U.S. efforts under Title III and other portions of the Act to require foreign commercial banks and other financial institutions domiciled in and regulated and protected by sovereign nations to "stop payment" on terrorist funds will likely intensify existing resistance to and resentment of the perceived arrogant and extraterritorial assertion of U.S. civil and criminal jurisdiction. While the tensions created by the Act with U.S. domestic civil liberties have been much discussed, Title III's mechanisms may well conflict with traditional norms of international public law. The U.S. Government may argue in response that Title III creates new rules of international law necessary and appropriate to the world order existing after September 11, 2001. Foreign and international bankers and their regulatory agencies may find themselves at the center of those legal developments.

Had Timothy McVeigh been of Arab origin or a student of Islam such as John Walker, Title III could have arrived several years ago.

II. SPECIAL MEASURES [§311 Re 31 USC §5318A]

The concept of taking discretionary Special Measures against suspicious (1) foreign jurisdictions, (2) foreign banks, (3) types of foreign-related accounts, and (4) class or classes of foreign-related transactions had been widely discussed and debated in Congress before September 11th, and thereafter the idea became one of the core components of Title III. Substantively, under a new Section 5318A of the Bank Secrecy Act ("BSA") Treasury can subject members of the foreign categories to:

a. Enhanced BSA record keeping;

b. Enhanced BSA reporting;

c. Enhanced collection of beneficial ownership information;

d. Identification of parties to correspondent and/or payable through accounts; and

e. Prohibitions on the opening, and/or conditions on the maintaining, of correspondent or payable thru accounts.

Procedurally, Treasury can impose a Special Measure by finding, after consultation with the Departments of Justice and State and other U.S. Government agencies and after consideration of a series of jurisdictional, institutional and other factors designed to protect civil liberties,

privacy and business efficiency, that reasonable grounds exist for concluding that a category member is of "primary money laundering concern." Special Measures may be unilaterally imposed by Treasury after a completion of the non-public consultations and considerations noted above if the special measure is imposed together with the publication of a notice of proposed rulemaking; however, such measures expire after 120 days unless perpetuated by an order issued after completion of the public notice and comment procedure initiated by the notice of proposed rulemaking. It can be speculated that Treasury will seek to impose unilateral Special Measures in surveillance and enforcement situations and will utilize the prior public notice and comment procedures in the prophylactic and policy making contexts.

The post-September 11th acceptance by Congress of the Special Measure tool was facilitated by the fact that Special Measures are imposable only on foreign banks, foreign jurisdictions, or classes of foreign-related transactions. The distinctly "foreign" nature of potential Special Measure targets will make them of great interest to the foreign and international banking communities in the U.S. and to affected foreign governments.

III. CORRESPONDENT ACCOUNTS FOR SHELL BANKS [§313 Re 31 USC §5318]

Effective last December 25, 2001, it became unlawful for a foreign or domestic bank operating in the U.S. to maintain a correspondent account for a so-called "foreign shell bank," defined as a foreign bank not maintaining a true physical presence in any jurisdiction. An exception exists for such "foreign shell banks" which are affiliated with (and presumably used as loan booking offices by) foreign banks which do maintain a physical presence in a jurisdiction and which are subject to supervision by a banking authority there. Forms of certification evolved through the efforts of Treasury and the private bar which were used to establish compliance with this exception and with provisions of Title III dealing with correspondent and private banking accounts.

IV. SPECIAL DUE DILIGENCE FOR FOREIGN CORRESPONDENT AND PRIVATE BANKING ACCOUNTS [§312 Re 31 USC §5318]

Effective July 23, 2002 (pursuant to Treasury Regulations due by April 24, 2002) financial institutions must establish specialized policies and procedures to detect and report money laundering through correspondent and private banking accounts maintained by them for

non-U.S. persons. Concurrently, enhanced controls must be established for correspondent accounts with foreign "offshore" banks (defined as a bank licensed to conduct business only with non-citizens or non-residents of the licensing jurisdiction or in currencies other than the local legal tender) and banks licensed by so-called "rogue" states or territories carried on lists of non-cooperative jurisdictions maintained by Treasury, the Financial Action Task Force, or other intergovernmental organizations of which the U.S. is a member and concurred with such listing decision.

Enhanced due diligence procedures for covered foreign correspondent accounts include ascertaining the true ownership of non-publicly traded foreign banks, detecting and reporting suspected money laundering and other suspicious activities, and conducting enhanced money laundering due diligence on any foreign correspondent banks of the customer foreign correspondent bank to guard against indirect abuse of the account maintained in the U.S. The foreign "respondent" bank must appoint an agent for service of subpoenas by U.S. Government agencies, and the U.S. correspondent must terminate the account if the foreign respondent fails to comply with or contest the subpoena in a timely fashion.

A "private banking account" is defined as an account (or any combination of accounts) with a minimum aggregate balance requirement of U.S. $1,000,000 established on behalf of one or more foreign individual beneficial owners which is managed by a private banking officer acting as a personal liaison between the bank and the beneficial owner(s). Minimum due diligence standards for such a private banking account maintained by a foreign or domestic bank office in the U.S. include identification of the nominal and beneficial owners of the account, the source(s) of the deposited funds, and any suspicious transactions.

Special super-enhanced monitoring of the source of funds deposited in a private banking account maintained by or on behalf of beneficial owner(s) who are senior foreign government officials or political figures, their immediate families and "close associates" to detect and report the deposit of proceeds of foreign governmental corruption.

V. COOPERATIVE INFORMATION SHARING EFFORTS [§314 Re 31 USC §5311]

By February 23, 2002 Treasury must issue final regulations to encourage foreign banks and other financial institutions, financial regulatory agencies, and law enforcement and

intelligence agencies to share information about their individual and organization customers and other individuals, entities and organizations engaged in, or suspected of engaging in, terrorist acts or money laundering activities. Among other things these regulations should:

1. Require (as was requested by the FRB on October 5, 2001) all subject financial institutions to designate a contact person to receive and monitor shared information;

2. Suggest procedures for the protection of shared information by different types and sizes of foreign and domestic financial institutions; and

3. Immunize from legal and contractual liability (including Gramm-Leach-Bliley Title IV privacy liability) formalized sharing arrangements which have been noticed in advance to the Treasury Department.

Although the liability protections noted above will presumably be elaborated in the Treasury regulations, Section 314 of Title III provides that (i) receipt of shared information by a foreign bank or other financial institution shall not modify the recipient's obligations to any "other" person or account, and (ii) shared information received under the regulations shall not be used for any purpose other than identifying and reporting on terrorist or money laundering activities. This information sharing could assist a financial institution in its BSA, OFAC and other compliances. However, the combination of obligatory receipt of shared information and incomplete liability protections can be expected to raise the possibility of litigation unless both the Treasury regulations and a financial institution's implementing policies and procedures are extremely clear and protective.

VI. CRIMINAL MONEY LAUNDERING [§315 Re 31 USC §§1956 and 1957]

The definition of criminal money laundering contained in the Bank Secrecy Act has been expanded to include, among other acts, foreign governments financial corruption, smuggling and export control violations, customs classifications violations, unlawful arms trafficking, violations of the Foreign Agents Registration Act, violations of the Foreign Corrupt Practices Act, certain computer frauds, and certain extraditable offenses.

VII. LONG ARM JURISDICTION AND VENUE OVER FOREIGN BANKS AND FOREIGN MONEY LAUNDERERS [§§317 and 1004 Re 18 USC §1956]

While foreign banks maintaining offices in the U.S. are subject to general court jurisdiction in the U.S. as a result of both (1) written consents and designations of agents for service of process required to be given in connection with their initial licensing, and (2) forced statutory consents arising from their conduct of business in the U.S., Title III extends so-called "long arm" jurisdiction of U.S. federal district courts over foreign persons (including foreign banks) not physically present in the U.S. under two primary conditions. Those conditions are that:

1. Service of process be made under either the Federal Rules of Civil Procedure or local law; and

2. The charged offense involves money laundering under 18 USC §1956(c), property forfeited to the U.S., or an account maintained by a foreign bank defendant at a foreign bank or other financial institution office located in the U.S.

It is possible that foreign affiliates of foreign banks present in the U.S. could become subject to this long arm jurisdiction by virtue of their maintenance of correspondent or other accounts with the affiliate's U.S. branch or agency banking office. §1004 of the Act provides liberal venue options to facilitate the prosecution and consolidation of cases such as the above.

VIII. 120 HOUR ACCESS TO ACCOUNT DOCUMENTATION [§319 Re 31 USC §5318]

Financial institutions must respond within 120 hours (5 calendar days, weekends included) to its federal financial regulatory agency's request for account opening documentation or other information relating to anti-money laundering compliance. The statute does not clarify whether only account opening documentation or also detailed past transactional records (such as microfilm copies of prior years' checks and statements) are subject to this expedited timeframe.

IX. CONCENTRATION ACCOUNTS [§325 Re 31 USC §5318(g)]

Congress was concerned that concentration accounts, by which a financial institution combines funds belonging to more than one of its deposit entities for a variety of legitimate business and operational reasons (e.g., sweeps), could be misused to prevent the association of customer identity with the movement of funds of which the customer is the legal, direct or beneficial owner. To prevent such misuse, Treasury may (but is not required to) prescribe regulations to prohibit customer knowledge or direction of such movement and to require financial institutions to establish written procedures for the documentation of transactions and customer identities in connection with concentration accounts.

X. KNOW YOUR CUSTOMER, INCLUDING FOREIGN NATIONALS [§326 Re 31 USC §5318]

By October 26, 2002, Treasury must have published final regulations setting minimum standards for the identification of new account customers (presumably new loan and other customers as well as new deposit account customers). These regulations, which will presumably apply to new (but not existing) accounts, must at minimum require a financial institution and a new account customer to:

1. Verify the identity of the person seeking to open the account;

2. Maintain records of the documents and information used or obtained to verify such identity; and

3. Check the customer's identity against lists of known or suspected terrorists provided to the financial institution by any government agency.

In issuing these regulations, Treasury is directed to:

1. Allow for the many different types of accounts, institutions, account opening procedures, and available identity documents;

2. Consult with "functional regulators" as described in the Gramm-Leach-Bliley Act (e.g., the SEC);

3. Exempt types of financial institutions and/or types of accounts as appropriate; and

4. Report to the Congress on the best manner of identifying foreign nationals, including the possibilities of an alien identification number/registration card (long in use by the U.S. Immigration and Naturalization Service) and a system for financial institutions to identify foreign nationals seeking to open new accounts.

As noted, the new law applies to new accounts and does not appear to require re-identification procedures for existing account holders.

XI. REGULATORY APPLICATION CRITERIA [§327 Re USC 12 USC §§1842(d) and 1828(c)]

Merger and expansion applications submitted after December 31, 2001 to the FRB, OCC, FDIC, OTS or other U.S. federal bank regulatory agencies under the Bank Holding Company Act or the Bank Merger Act will "in every case" be considered in light of the effectiveness of the applicant's anti-money laundering efforts, including in its overseas branches. If, in the case of a non-U.S. applicant, this new requirement were to be literally applied to all of the applicant's non-U.S. branches (in many cases, the vast majority of the applicant's branches, none of which had been or are subject to U.S. money laundering rules), a considerable amount of documentation could be involved and difficult approvability issues could be raised.

XII. ANTI-MONEY LAUNDERING PROGRAMS [§352 Re 12 USC §5318(h)]

By April 24, 2002, financial institutions must establish anti-money laundering programs, meeting minimum standards to be promulgated by Treasury, which include internal policies, procedures and controls, a designated compliance officer, on-going employee training, and an "independent" audit function. Under existing BSA guidance, an internal auditors report, as well as that of an external CPA firm or consultant, is acceptable to meet the "independent" audit requirement.

XIII. TARGETING ORDERS AND RECORD KEEPING [354 Re 31 USC §§5321-26].

The existing stiff civil and criminal penalties for BSA violations (up to $500,000 per day and up to 10 years imprisonment) are applied to new categories of violations involving targeting orders and special record keeping requirements, and the duration of certain geographical targeting orders are increased from 60 to 180 days. It can be speculated from the general approach of Title III and the Act and the conduct thus far of the U.S. Government's war on terrorism that the targeted orders used in the past with success against suspected narcotics trafficking organizations will be used with increasing frequency against suspected terrorist organizations.

XIV. WRITTEN EMPLOYMENT REFERENCES [§351 Re 12 USC §1828].

Uninsured foreign bank branch and agency offices in the U.S., like all insured U.S. depository institutions, are now authorized (but not required) to include information concerning the possible involvement of an institution-affiliated party in potentially unlawful money laundering activity in a written employment reference requested by an insured depository institution. And, if such information has also been included in a Suspicious Activity Report ("SAR") submitted by the provider of the employment reference, the providing institution may under Section 351 of Title III be immunized from civil, criminal or contractual liability for the employment reference disclosure so long as it was not made with malicious intent.

XV. SAR'S BY BROKER DEALERS [§356 Re 31 USC 5318].

Under Treasury regulations to become final by July 1, 2002, SEC-registered securities brokers and dealers will be required to file Suspicious Activity Reports ("SAR's"). Since such SAR's will be filed "under" the same 31 USC §5318 which affords liability immunity to banks, the Treasury regulations will presumably incorporate and clarify that protection.

XVI. SAR'S BY OTHERS [§356 Re 31 USC §5318].

In the future Treasury may, after consultation with the appropriate functional regulator, require the filing of SAR's by, among other entities, futures commissions merchants, commodity trading advisors, registered commodity pool operators, investment companies, (mutual funds), private equity funds, and hedge funds.

XVII. EXPANDED AVAILABILITY OF SAR'S OTHER AND BSA REPORTS [§358 Re 31 USC §§5311-19].

Foreign bank offices in the U.S., along with domestic U.S. banks, should know that under changes made by Title III reports submitted by them under the Bank Secrecy Act – including Suspicious Activity Reports – may be made available by Treasury (FinCEN) to state banking regulators (e.g., the California DFI and the New York State Banking Department), U.S. intelligence agencies (e.g., FBI, CIA), and SEC-approved securities self-regulating agencies. The only apparent requirement for such sharing by FinCEN is that the report be requested for a purpose consistent with the BSA as amended by Title III. In the hands of those new federal recipients the BSA reports would be exempt from disclosure under the U.S. Federal Freedom of Information Act.

XVIII. BSA COMPLIANCE BY MONEY TRANSMITTERS AND NON-CONVENTIONAL FINANCIAL INSTITUTIONS [§359 Re 31 USC §5312 and 12 USC 1829(b)].

Reporting under the Bank Secrecy Act and compliance with the FDIC's money transmission rules would be required of money transmitters owned or controlled by foreign banks as well as individuals or small firms which informally transmit funds and "hawala"-like networks. No apparent new compliance duties are imposed by this section on foreign or domestic banks having depositor relationships with such businesses.

XIX. ENHANCED FinCEN FUNCTIONS AND ITS HIGHLY SECURE NETWORK [§361-362 Re 31 USC §310].

The Financial Crimes Enforcement Network to which banks have been submitting BSA reports since the early 1990's has by Title III been given a statutory upgrade as a new bureau within the Treasury Department. Its expanded statutory duties include the establishment of a "highly secure network" for use by banks and others in the online filing of reports and the receipt of alerts of suspicious activity. Title III provides authority for the FinCEN/Federal Reserve requirement that banks designate a "point person" as the institution's contact on the network.

XX. ENHANCED SAR PROTECTION [§351 Re 31 USC §5318 (g)(3)].

Existing law protecting voluntary filers of Suspicious Activity Reports ("SAR's") from liability, and prohibiting any notification of such filing to the subject of the report by any third party, is strengthened by:

1. expanding liability protection to include claims under any civil contract or arbitration agreement (in addition to claims under state or federal civil or criminal statute or common law); and

2. specifically authorizing inclusion of the same information (but not disclosure of the actual filing of the SAR) in written employment references and termination notices given by foreign and domestic banks.

Fortunately, the existing rule protecting a financial institution in filing an SAR with respect to a transaction having "no business or other apparent lawful purpose" remains unchanged.

Unfortunately, the change did not also provide express immunity to foreign banks which may be required by their own policies and/or their home country law and/or their domiciliary bank regulatory regimes to disclose to home country regulators some of the same information contained in a SAR and/or the fact of the filing of the SAR.

XXI. CTR'S BY NON-FINANCIAL BUSINESSES [§365 Re 31 USC §5331].

Bank's non-financial trade or business customers must begin to file Currency Transaction Reports ("CTR's") for one or more related transactions involving more than $10,000 in coin, currency or certain monetary instruments. While the term "non-financial trade or business" is loosely defined in the statute, Treasury has until April 26, 2002 to issue implementing regulations which may clarify the scope and effective date of this new requirement. The statute itself does not suggest any new, related obligation for the financial institutions which bank these non-financial businesses as deposit customers.

XXII. UNLICENSED OR IMPROPER MONEY TRANSMISSION [§323 Re 18 USC §1960].

Refined scienter (knowledge) requirements are added to the statute making it a crime to operate an unlicensed money transmission business or a licensed business which transmits funds known to be the proceeds of a crime or to be used for criminal activity. Bank owned money transmitters are presumably duly licensed but should review their due diligence procedures to insure that its employees do not transmit funds known to be connected with past or future criminal or terrorist activity. Banks with money transmitters as deposit customers should not be directly affected by this provision.

XXIII. WIRE TRANSFERS ORIGINATING ABROAD [§328 Re 31 USC 5311].

Treasury, in conjunction with the Departments of Justice and State, must take all reasonable steps to encourage foreign governments to require the inclusion of the name of the originator of all wire transfers sent from their jurisdiction to the U.S. and to third countries. This requirement would enhance the so-called "fellow traveler" rule to provide that the true beneficial name of a wire originator remain a part of the wire transfer instruction from its origination to the point of disbursement. The seriousness of this effort is underscored by an accompanying requirement that Treasury report annually to Congress on progress and impediments in its efforts to encourage foreign governments to include both originator and recipient information in the transfer from origination to disbursement.

XXIV. FOREIGN BANK RECORDS [§330].

While not of immediate operational concern, foreign banks operating in the U.S. may wish to note to their head offices that Title III suggests that the Federal Reserve and the U.S. Government negotiate with foreign nations licensing banks which operate in the U.S. for the enhanced use of voluntary information exchanges, legal assistance treaties and international agreements to:

1. Ensure that foreign banks maintain "adequate" records of account and transaction information relating to foreign terrorists organizations and their operatives and to persons engaged in money laundering or financial crimes; and

2. Establish mechanism for making such records available to U.S. law enforcement and financial regulatory agencies.

XXV. HIGH TECH CURRENCY COUNTERFEITING [§§374-75 Re 18 USC §§478-83].

While not of direct impact on the operations of foreign or domestic banks, Title III adds high tech methods to existing statutes criminalizing the counterfeiting of U.S. and foreign government currency and securities and increases the corresponding maximum prison terms by up to 20 additional years.

ANNEX A

PARTIAL TIME TABLE FOR THE PROMULGATION OF ADMINISTRATIVE REGULATIONS AND OTHER OFFICIAL ACTIONS UNDER TITLE III OF THE USA PATRIOT ACT

September 11, 2001	Terrorist attacks in New York and Washington, D.C.
October 26, 2001	USA Patriot Act signed into law
November 20, 2001	Treasury Department Interim Guidance issued
November 26, 2001	Federal Reserve Supervising Letter issued
December 25, 2001	Shell bank and foreign correspondent account certifications due (ownership, regulation, agent for service of process)
December 31, 2001	Regulatory applications under the Bank Holding Company Act and Bank Merger Act submitted or filed after this date must address the applicant's anti-money laundering efforts
January 1, 2002	Treasury to issue regulations governing SAR filings by SEC-registered brokers and dealers
February 23, 2002	Treasury to adopt regulations to encourage voluntary cooperation and information sharing among financial institutions, financial regulators and law enforcement and intelligence agencies to deter money laundering and terrorism
April 24, 2002	Treasury to issue regulations to further delineate required due diligence policies and controls for correspondent or private banking accounts

April 24, 2002	Treasury to issue regulations on the filing of CTR's by non-financial business
April 24, 2002	Financial institutions must establish formal money laundering programs pursuant to any Treasury regulations providing minimum standards and exemptions
July 1, 2002	SAR filings required by SEC-registered brokers or dealers
July 23, 2002	Effective date of enhanced correspondent and private banking accounts (whether or not Treasury meets its April 24, 2002 deadline to issue proposed regulations)
October 26, 2002	Treasury (and banking agency) regulations establishing minimum standards of customer identification for the opening of new accounts for both foreign and U.S. persons